

[01:25:26] Okay, so when you were looking at, and you may have to educate me. I know a little bit about firearms. But what was the, what was the product? And you mentioned that they sold maybe eight or nine products. It's like you widdled, you, when Bearman acquired the rights for \$10, they really only made one or two of the products that the former company had made. Describe to me what these products were and what they were called.

[01:25:58] Okay. The discontinued products are a Patriot 45, which is a 45 caliber semi-auto. It's a polymer frame. So plastic, that's the mainframe (inaudible) like a Glock. And there's also a nine nine millimeter version of Patriot 9. And those were discontinued, uh probably five years before me. At least five.

[01:26:28] Okay, so Bearman, Bearman never made any of those?

[01:26:32] No.

[01:26:34] That's five years before Cobra even.

Okay, let let's just focus in on the products that Bearman eventually decided to make. But the ones that you kind of salvaged, and you said you had to do some repair work on one of them. What were those products?

[01:26:52] Barringer, they were little...

They were Derringers?

Yes.

[01:26:58] Like little snake guns with two barrels sorta thing?

Yep, yep.

And were there two models of that made?

Yes (inaudible) yes.

[01:27:11] Okay, and you, Bearman made two models of those guns.

[01:27:19] And what were they called when Bearman sold them?

[01:27:24] They, they called it, uh, (inaudible) Derringer and uh classic Derringer, the big (inaudible) because...

Cobra made those products as well, is that correct?

EXHIBIT A

Similar. Yes pretty, similar.

But you had to modify or make (inaudible)...

Well to make them work, number one. My first two months here \$40,000 in FedEx bills shipping (inaudible) guns had to be overnighted. We can't ship them UPS ground. So shipping was a big, big problem. And they told me they were selling these guns for a \$100 wholesale. In reality, it was about \$85. I mean, I guess I should've asked for invoices or copies of checks from customers. But they were, for \$85, uh, they weren't doing, anyway the guns were, I was getting 20% of them back, and having to fix them. The ones that they sent out were just garbage they were, to see them, there were times where they knowingly sent them out without all the parts in it because they needed money, and (inaudible) gotta get paid so hurry and send these out, and then it just cost you so much more money later to bring them back and fix them. So right off we were losing our shirt on repairs. So, it's, uh, to look at it, you would say it's similar to look up close, to handle it. No. To handle it, no. (inaudible) The smaller one. (inaudible) we didn't sell (inaudible) they didn't work. Like there wasn't. They got to buy the parts, but they couldn't make them work.

[01:29:11] Did Bearman continue to honor Cobra warranties when somebody would send back something? You know, that Cobra had sold them, would Bearman take it in and try and fix it?

[01:29:24] The reason that we guess, uh, and that's not 100% of the time. But it was, it's where they (inaudible) so Derringer parts, we could get (inaudible) parts, you know, all these FSSs things that we didn't have parts for, uh, but we tried. (inaudible)

[01:29:47] (inaudible) that got manufactured, you would take those in?

[01:29:56] But that's (inaudible), yeah. Not 100% but that's (inaudible)

[01:30:03] I'm a little unclear on the original purchase. You kind of described the sequence. There was a letter of intent. It was four pages long that you had prepared. Then eventually there was a longer contract. Was this an asset purchase or an equity purchase, do you understand that question, Mr. Gates?

[01:30:18] Unfortunately, it was an equity purchase.

[01:30:25] Okay, so you bought lock, stock and barrel all of Cobra Enterprises?

[01:30:31] Yes.

[01:30:32] So the second my name attached to you lawsuit which predated me, all those lawsuits, all the tax liens, all the liability lawsuits. The second I became an officer just you know a noose hung around my neck.

[01:30:52] Okay, and I can sympathize with that, no pun intended, on the lock, stock and barrel. But you did have all the liabilities as well as well as, did the IRS try to lien you personally for the 941 liability that was delinquent before you took over the company?

[01:31:13] They did. (inaudible) garnished my bank account one time.

[01:31:20] And so you paid the IRS for some of that?

[01:31:25] It sounds like.

[01:31:27] Yeah, you know the, they might sound like token payments, but \$6,000, \$12,000, \$18,000, uh, yeah...(inaudible)

[01:31:41] I was just trying to do the right thing. I couldn't please everybody. There just wasn't enough to go around.

[01:31:48] Sure. Does Bearman, uh, does it, if I looked on the web, could I, could I buy a Derringer from Bearman today?

[01:31:58] No. Well, so (inaudible)

[01:32:00] When did you sell your last product or when did Bearman sell the last product?

[01:32:06] Uh, recently. There is still, there is still a little bit of product. It's nowhere near, you know, survivable numbers. But but Bearman didn't sell to consumers (inaudible)...

[01:32:23] I mean, I have, you know.

[01:32:30] But the fact is, I could, through some channel, find Bearman produced product and, and purchase it?

[01:32:43] Hopefully. I know there out there (inaudible) come up on a gun broker or something.

[01:32:49] Have you, uh, Mr. Yates, tried selling the business to anybody? Have you ever tried to market this business and sell it to somebody else? They've been existing to a gun company. You did try and sell it?

Yes, I have.

What was the most you had offered for it?

I never was able to generate an offer.

[01:33:22] Again, I wasn't willing to hide all the skeletons and dead bodies that they hid from a buyer. I mean, it wasn't over disclosing. I was selling. I was trying. I wanted out, but at the same time, uh, no one in their right mind would have bought the company when I bought it, had they been told they didn't have insurance, that it had lawsuits, that it had tax liens, that they had a product that people shot themselves with. (inaudible) Any one of those would have been deal killers. Let alone all of them. (inaudible)

[01:33:54] Oh, so you are you are trying to sell the whole company just like you bought it. That's what you were trying to sell. Is that correct?

[01:34:03] Yeah. And that's people at Sacho [sic], and also to trade shows in Fort Worth

[01:34:12] And I went back and forth, you could get e-mails if you want.

[01:34:18] Well, the trustee may be interested in that, but uh, did you ever just try and sell certain rights like you bought the rights to make certain guns, did you try and sell the rights that you had bought from, you know, for \$10, did you try and package that and sell that just as an asset sale and not a company sale?

[01:34:40] Yes, that's what we were talking about. They were interested in the revolver the Shadow, which is a revolver we don't make anymore. They never made it under, in my time. It was years before me. But there are a couple of little (inaudible) you see these guys the Cobra Bearman guns, these guns retail for a \$160, \$159, they were selling them for \$85, uh, \$85 to \$99...

[01:35:13] Basically, (inaudible). They'd get more for the revolver and like the snake gun, you refer to, they use to make a bigger one, (inaudible) that was like the bond snake gun (inaudible) Colt 45 (inaudible), or 410, the Titan, (inaudible)...

[01:35:29] Those were the ones they were interested in, not the, they weren't even interested in the Derringers.

[01:35:37] So there there are trade names for all of these products. Right? And uh Cobra would market them under these trade names, and I assume that Bearman continued to use the same trade names with respect to certain other products. Is that correct?

[01:35:55] No, we really didn't because, believe it or not, it's that we can't get away from the Cobra name because, we couldn't get away from it in time, and ultimately, that was uh, Bearman's demise. But no we didn't want, didn't want, Cobra had a terrible name. I knew it had a bad name. I knew it was a turnaround when I bought it, but nothing to the extent just what I could find online, the comments, uh, no repair, you know things you could fix. You can fix a repair department, you can fix (inaudible) get their product returned when they're supposed to have it returned. So I thought it was kind of a turnaround not, uh...

[01:36:39] you know, an absolute financial train wreck. (inaudible) train wreck

[01:36:46] Uh, you mentioned that you're just kind of hanging on that Bearman would be a doomed enterprise. You're just kind of hanging onto it to see what the trustee in this case might direct you. If the trustee directed you to allow him to sell whatever is left of this business. Would you cooperate with that?

[01:37:10] I could certainly, so over (inaudible) that anything that was ever Cobra's, but uh, but Bearman as I told you, I was broke by then. So Bearman is in debt for anything that's ever (inaudible) the first (inaudible) was borrowed money. The first paychecks (inaudible) were borrowed money.